

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Kinross, Michigan	County Chippewa
Audit Date 3/31/06	Opinion Date 6/9/06	Date Accountant Report Submitted to State: 9/14/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Anderson, Tackman & Company, PLC

Street Address

16978 S. Riley Avenue

City

Kincheloe

State

MI

ZIP

49788

Accountant Signature

Anderson Tackman & Co PLC

Date

9/14/06

CHARTER TOWNSHIP OF KINROSS, MICHIGAN

BASIC FINANCIAL STATEMENTS

March 31, 2006

CHARTER TOWNSHIP OF KINROSS, MICHIGAN

ORGANIZATION

MEMBERS OF THE CHARTER TOWNSHIP BOARD

Supervisor	Jason Oberle
Treasurer	Vicki Ulrich
Clerk	Marvin Besteman Jr.
Trustee	Ed DeWitt
Trustee	Wayne Donaway
Trustee	Fred McClendon
Trustee	Dan Mitchell

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Charter Township of Kinross, Michigan
Kincheloe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Charter Township of Kinross, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2006 on our consideration of the Charter Township of Kinross, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kinross, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 9, 2006

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. (A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kinross Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.)

The Township as a Whole

The Township's combined net assets decreased 14% from a year ago, decreasing from \$14,228,776 (after prior period adjustment) to \$12,230,839. As we look at the governmental activities separately from the business-type activities, we can see that net assets of the governmental activities experienced an increase of \$66,435 during the year (1.27% increase) primarily due to the adjustment of fixed assets. The business-type activities experienced a \$185,425 (2%) decrease in net assets.

In a condensed format, the table below shows the net assets as of March 31, 2006 and 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 1,186,519	\$ 1,081,296	\$ 1,226,847	\$ 964,656	\$ 2,413,366	\$ 2,045,952
Capital Assets	<u>2,707,595</u>	<u>4,606,705</u>	<u>7,668,438</u>	<u>8,120,622</u>	<u>10,376,033</u>	<u>12,727,327</u>
Total Assets	<u>3,894,114</u>	<u>5,688,001</u>	<u>8,895,285</u>	<u>9,085,278</u>	<u>12,789,399</u>	<u>14,773,279</u>
Current Liabilities	73,227	54,693	118,967	102,884	192,194	157,577
Long-Term Debt Outstanding	<u>108,699</u>	<u>108,608</u>	<u>257,667</u>	<u>278,318</u>	<u>366,366</u>	<u>386,926</u>
Total Liabilities	<u>181,926</u>	<u>163,301</u>	<u>376,634</u>	<u>381,202</u>	<u>558,560</u>	<u>544,503</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	2,631,369	4,520,051	7,439,981	7,875,622	10,071,350	12,395,673
Unrestricted (Deficit)	<u>1,080,819</u>	<u>1,004,649</u>	<u>1,078,670</u>	<u>828,454</u>	<u>2,159,489</u>	<u>1,833,103</u>
Total Net Assets	<u>\$ 3,712,188</u>	<u>\$ 5,524,700</u>	<u>\$ 8,518,651</u>	<u>\$ 8,704,076</u>	<u>\$ 12,230,839</u>	<u>\$ 14,228,776</u>

Charter Township of Kinross, Michigan

Management's Discussion and Analysis March 31, 2006

The current level of unrestricted net assets for our governmental activities stands at \$1,080,818, or about 51% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services	\$ 1,100,511	\$ 1,267,501	\$ 2,170,527	\$ 1,841,456	\$ 3,271,038	\$ 3,108,957
Operating Grants and Contributions	163,122	63,791	-	-	163,122	63,791
General Revenues						
Property Taxes	385,385	368,034	-	-	385,385	368,034
Federal, State, Local - General	3,037	4,091	-	32,170	3,037	36,261
State Revenue Sharing	507,577	515,043	-	-	507,577	515,043
Interest and Rents	8,727	-	-	-	8,727	-
Donations	-	700	-	-	-	700
Interest on Deposits	17,385	26,746	34,912	24,929	52,297	51,675
Investment Earnings (Loss)	-	(10,820)	(16,473)	(9,595)	(16,473)	(20,415)
Gain on Disposal of Capital Assets	70,000	4,001	30,177	8,566	100,177	12,567
Transfers	(78,167)	(119,515)	78,167	119,515	-	-
Total Revenues	<u>2,177,577</u>	<u>2,119,572</u>	<u>2,297,310</u>	<u>2,017,041</u>	<u>4,474,887</u>	<u>4,136,613</u>
Program Expenses						
Legislative	10,910	10,022	-	-	10,910	10,022
General Government	425,575	418,851	-	-	425,575	418,851
Public Safety	317,196	285,683	-	-	317,196	285,683
Health and Welfare	969,658	987,753	-	-	969,658	987,753
Recreation	151,704	38,895	-	-	151,704	38,895
Public Works	119,831	43,893	-	-	119,831	43,893
Debt Service	3,271	11,537	-	-	3,271	11,537
Other Expenses	112,997	121,900	-	-	112,997	121,900
Recreation Center	-	-	150,732	153,056	150,732	153,056
Chippewa County Fair Grounds	-	-	94,777	91,760	94,777	91,760
Golf Course	-	-	454,103	411,213	454,103	411,213
Public Works	-	-	1,783,123	1,795,487	1,783,123	1,795,487
Total Expenses	<u>2,111,142</u>	<u>1,918,534</u>	<u>2,482,735</u>	<u>2,451,516</u>	<u>4,593,877</u>	<u>4,370,050</u>
Changes in Net Assets	66,435	201,038	(185,425)	(434,475)	(118,990)	(233,437)
Beginning Net Assets	5,524,700	5,323,662	8,704,076	9,258,251	14,228,776	14,581,913
Prior Period Adjustment	(1,878,947)	-	-	(119,700)	(1,878,947)	(119,700)
Ending Net Assets	<u>\$ 3,712,188</u>	<u>\$ 5,524,700</u>	<u>\$ 8,518,651</u>	<u>\$ 8,704,076</u>	<u>\$ 12,230,839</u>	<u>\$ 14,228,776</u>

Governmental Activities

The Township's Revenues increased by approximately 5% during the fiscal year 2005-06 primarily due to donations, grants and the contracted sales of two commercial buildings held by the Township from the Air Force Base Conversation days.

Expenses increased by about 9% compared to the previous year. This happened primarily due to road improvement and paving projects costing approximately \$115,000 and two grants received by the Township, one for our Fire Department and the other for Trail Grooming program totaling more than \$120,000. The grant funds were used to purchase and replace capital equipment. Note: Expenses in the general fund alone were reduced by more than \$55,000 during the fiscal year.

In June 2005, the Kinross District Police received a 2% allocation from the Sault Ste. Marie Tribe of Chippewa Indians, in the amount of \$20,000, and the donation was allocated by the township board for the purchase of a new patrol car.

State-shared revenue sharing was frozen by the legislature during the fiscal year. Considering the fact the state is continuing to experience budget shortfalls, the potential exists for further cuts of revenue sharing in the future.

Business-Type Activities

The Township's business-type activities include the Fairgrounds, the Recreation Center, and the two largest being the Public Works and Golf Course funds.

During the fiscal year the Township received \$10,000 in a 2% allocation from the Sault Ste. Marie Tribe of Chippewa Indians which was allocated by the Township Board for the purchase of fitness equipment at our Recreation Center.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds for 2006 include the General Fund, Ambulance Fund, Police Fund, Golf Course Fund, and Public Works Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account various events that affected the budget during the year. Rising natural gas prices forced changes to nearly all township budgets during the winter months.

Other adjustments were made throughout the course of the fiscal year primarily due to receiving grants and donations which had an impact on the improvement and operations of the following funds; Fire, Snowmobile Trail grooming, and Police; primarily by providing funds for the replacement of capital goods.

Capital Asset and Debt Administration

It is important to note in this section, the Township created a Public Improvement Fund which requires its expenditures to be on capital assets, such as building or other public improvements defined by state law.

At the end of the 2005-06 fiscal year the Township had \$10,376,033 invested in a broad range of capital assets, including buildings, police, ambulance & fire equipment, and water and sewer infrastructure. The total debt that the Township is carrying in the amount of \$304,683 is lower than most municipalities, which gives us flexibility for the future and does not burden our budget with interest payments.

Economic Factors and Next Year's Budgets and Rates

A major concern for the future continues to be state-shared revenues. Future cuts of state-shared revenues to the township will force reductions on already strained township services and may even cause the elimination of some.

Notice of cancellation of lease for building #127, commonly known as the Regional Training Facility for the Department of Corrections, has been received by the Township. Negotiations for lease renewal ended in 2003 for this property. This loss amounts to \$60,000 in revenues in future years for the Property Management fund.

Other notable concerns are the rising price of fuel and utilities such as electric and natural gas. Areas which we have already experienced increases of more than 25%. Further increases will create financial strains on already limited budgets especially over the winter months.

The reduction in expenses from the privatization of the assessing and zoning departments in fiscal year 2004-05 has allowed the Township to contract additional assistance to update the records of the assessing and zoning department and even contract an ordinance enforcement officer which further increases the ability for the Township to efficiently provide these necessary services to residents at little or no cost.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any question about this report or need additional information, we welcome you to contact the township office.

Basic Financial Statements

Charter Township of Kinross, Michigan

Statement of Net Assets

March 31, 2006

	Primary Government		
	Governmental	Business-type	Totals
	Activities	Activities	
ASSETS:			
Current Assets:			
Cash & Investments - Unrestricted	\$ 904,437	\$ 992,634	\$ 1,897,071
- Restricted	105,000	10,236	115,236
Receivables:			
Accounts (Net)	82,834	158,031	240,865
Interest	3,909	10,637	14,546
Lease	1,248	-	1,248
Internal Balances	13,892	-	13,892
Due from Governmental Units	50,446	-	50,446
Inventory	-	23,678	23,678
Prepaid Expenses	24,753	30,611	55,364
Other Assets	-	1,020	1,020
Noncurrent Assets:			
Capital Assets Not Depreciated	463,410	487,314	950,724
Capital Assets (Net of Accumulated Depreciation)	2,244,185	7,181,124	9,425,309
TOTAL ASSETS	\$ 3,894,114	\$ 8,895,285	\$ 12,789,399
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 45,686	\$ 66,237	\$ 111,923
Accrued Interest Payable	-	5,249	5,249
Due to Governmental Units	-	3	3
Other Liabilities	17,581	15,325	32,906
Notes Payable	4,300	-	4,300
Leases Payable	5,660	2,352	8,012
Deferred Revenue	-	2,801	2,801
Bonds Payable	-	27,000	27,000
Noncurrent Liabilities:			
Notes Payable	62,500	-	62,500
Leases Payable	3,766	7,105	10,871
Bonds Payable	-	192,000	192,000
Compensated Absences	42,433	58,562	100,995
TOTAL LIABILITIES	181,926	376,634	558,560
NET ASSETS:			
Invested in Capital Assets (Net of Related Debt)	2,631,369	7,439,981	10,071,350
Unrestricted	1,080,819	1,078,670	2,159,489
TOTAL NET ASSETS	\$ 3,712,188	\$ 8,518,651	\$ 12,230,839

Charter Township of Kinross, Michigan

Statement of Activities For the Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Legislative	\$ 10,910	\$ -	\$ -	\$ (10,910)	\$ -	\$ (10,910)
General Government	425,575	205,489	-	(220,086)	-	(220,086)
Public Safety	317,196	54,467	47,974	(214,755)	-	(214,755)
Health & Welfare	969,658	837,332	-	(132,326)	-	(132,326)
Recreation	151,704	1,623	115,148	(34,933)	-	(34,933)
Public Works	119,831	1,600	-	(118,231)	-	(118,231)
Debt Service	3,271	-	-	(3,271)	-	(3,271)
Other Expenditures	112,997	-	-	(112,997)	-	(112,997)
Total Governmental Activities	2,111,142	1,100,511	163,122	(847,509)	-	(847,509)
Business-type activities:						
Recreation Center	150,732	55,480	-	-	(95,252)	(95,252)
Chippewa County Fairgrounds	94,777	32,062	-	-	(62,715)	(62,715)
Golf Course	454,103	465,632	-	-	11,529	11,529
Public Works	1,783,123	1,617,353	-	-	(165,770)	(165,770)
Total Business-type Activities	2,482,735	2,170,527	-	-	(312,208)	(312,208)
Total Primary Government	\$ 4,593,877	\$ 3,271,038	\$ 163,122	(847,509)	(312,208)	(1,159,717)
General Revenues:						
Taxes				385,385	-	385,385
Federal, State, & Local - General				3,037	-	3,037
State Revenue Sharing				507,577	-	507,577
Interest and Rent				8,727	-	8,727
Interest on Deposits				17,385	34,912	52,297
Gain (Loss) on Disposal of Capital Assets				70,000	30,177	100,177
Investment Earnings (Loss)				-	(16,473)	(16,473)
Transfers				(78,167)	78,167	-
Total General Revenues and Transfers				913,944	126,783	1,040,727
Changes in Net Assets				66,435	(185,425)	(118,990)
Net Assets - Beginning				5,524,700	8,704,076	14,228,776
Prior Period Adjustment				(1,878,947)	-	(1,878,947)
Net Assets - Ending				\$ 3,712,188	\$ 8,518,651	\$ 12,230,839

See accompanying notes to financial statements.

Charter Township of Kinross, Michigan

Balance Sheet Governmental Funds March 31, 2006

	General	Ambulance Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash & Investments - Unrestricted	\$ 499,879	\$ 22,085	\$ 198,538	\$ 183,935	\$ 904,437
Cash & Investments - Restricted	-	-	-	105,000	105,000
Receivables:					
Accounts (Net)	4,342	75,886	2,242	364	82,834
Interest	3,909	-	-	-	3,909
Lease	-	-	-	1,248	1,248
Due from Other Funds	8,968	-	6,862	3,202	19,032
Due from Governmental Units	37,225	-	9,074	4,147	50,446
Prepaid Expenses	7,106	9,467	3,546	4,634	24,753
TOTAL ASSETS	\$ 561,429	\$ 107,438	\$ 220,262	\$ 302,530	\$ 1,191,659
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ 5,140	\$ -	\$ 5,140
Accounts Payable	16,800	12,822	1,820	14,244	45,686
Other Liabilities	3,410	9,301	2,981	1,889	17,581
TOTAL LIABILITIES	20,210	22,123	9,941	16,133	68,407
FUND BALANCES:					
Unreserved:					
Undesignated	476,412	85,315	210,321	286,397	1,058,445
Designated for Capital Projects	64,807	-	-	-	64,807
TOTAL FUND BALANCES	541,219	85,315	210,321	286,397	1,123,252
TOTAL LIABILITIES AND FUND BALANCES	\$ 561,429	\$ 107,438	\$ 220,262	\$ 302,530	
Reconciliation to amounts reported for governmental activities in the statement of net assets:					
Capital assets used by governmental activities are not financial resources and therefore are not reported in the funds.					2,707,595
Compensated absences liability not recognized in the funds.					(42,433)
Long term notes payable for governmental activities not due and payable in the current period.					(66,800)
Capital leases payable for governmental activities not due and payable in the current period.					(9,426)
Net assets of governmental activities					\$ 3,712,188

Charter Township of Kinross, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2006

	General	Ambulance Fund	Police Fund	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 108,198	\$ 4,485	\$ 200,315	\$ 72,387	\$ 385,385
Licenses & Permits	20	-	-	-	20
Federal Sources	-	-	-	32,297	32,297
State Sources	510,614	-	8,633	122,192	641,439
Charges for Services	3,212	807,656	2,939	282	814,089
Interest & Rentals	22,111	65	4,241	188,397	214,814
Rentals & Leases	-	-	-	4,658	4,658
Sales of Capital Assets	-	-	-	70,000	70,000
Refunds & Reimbursements	9,066	29,676	28,736	3,508	70,986
Other	6	-	20,923	1,128	22,057
TOTAL REVENUES	653,227	841,882	265,787	494,849	2,255,745
EXPENDITURES:					
Legislative	10,910	-	-	-	10,910
General Government	334,955	-	-	-	334,955
Public Safety	-	-	232,139	46,870	279,009
Health & Welfare	-	914,503	-	-	914,503
Recreation	-	-	-	131,053	131,053
Public Works	1,812	-	-	118,019	119,831
Capital Outlay	11,701	18,044	26,557	48,400	104,702
Debt Service	-	12,842	-	857	13,699
Other Expenditures	53,121	-	-	128,906	182,027
TOTAL EXPENDITURES	412,499	945,389	258,696	474,105	2,090,689
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	240,728	(103,507)	7,091	20,744	165,056
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	18,044	-	109,331	127,375
Operating Transfers Out	(116,698)	-	-	(88,844)	(205,542)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	124,030	(85,463)	7,091	41,231	86,889
FUND BALANCES, APRIL 1	417,189	170,778	203,230	245,166	1,036,363
FUND BALANCES, MARCH 31	\$ 541,219	\$ 85,315	\$ 210,321	\$ 286,397	\$ 1,123,252

Charter Township of Kinross, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2006

Net Changes in fund balances - total governmental funds	\$ 86,889
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$230,805 exceeded depreciation expense (\$193,895) and loss on disposal of assets (\$57,073).	(20,163)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment creates the following net change:

Compensated absences	(10,719)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	<u>10,428</u>
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Changes in net assets of governmental activities	<u><u>\$ 66,435</u></u>
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Charter Township of Kinross, Michigan

Statement of Net Assets

Proprietary Funds

March 31, 2006

	Business-Type Activities			
	Enterprise Funds			Total
	Golf Course	Public Works	Nonmajor Enterprise Funds	
ASSETS:				
Cash & Investments - Unrestricted	\$ 33,400	\$ 849,930	\$ 109,304	\$ 992,634
- Restricted	10,236	-	-	10,236
Accounts Receivable (Net)	-	156,438	1,593	158,031
Interest Receivable	-	10,637	-	10,637
Inventory	23,489	-	189	23,678
Prepaid Expenses	2,552	25,543	2,516	30,611
Other Assets	1,020	-	-	1,020
Capital Assets, Net of Accumulated Depreciation	1,147,827	5,891,674	628,937	7,668,438
TOTAL ASSETS	<u>\$ 1,218,524</u>	<u>\$ 6,934,222</u>	<u>\$ 742,539</u>	<u>\$ 8,895,285</u>
LIABILITIES:				
Accounts Payable	\$ 3,942	\$ 51,169	\$ 11,126	\$ 66,237
Accrued Interest Payable	5,249	-	-	5,249
Due to Governmental Units	-	-	3	3
Other Liabilities	1,415	11,913	1,997	15,325
Lease Payable - Current	2,352	-	-	2,352
Leases Payable	7,105	-	-	7,105
Deferred Revenue	-	2,801	-	2,801
Bonds Payable - Current	27,000	-	-	27,000
Bonds Payable	192,000	-	-	192,000
Compensated Absences	9,735	46,460	2,367	58,562
TOTAL LIABILITIES	<u>248,798</u>	<u>112,343</u>	<u>15,493</u>	<u>376,634</u>
NET ASSETS:				
Invested in Capital Assets (Net of Related Debt)	919,370	5,891,674	628,937	7,439,981
Unrestricted	50,356	930,205	98,109	1,078,670
TOTAL NET ASSETS	<u>\$ 969,726</u>	<u>\$ 6,821,879</u>	<u>\$ 727,046</u>	<u>\$ 8,518,651</u>

Charter Township of Kinross, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended March 31, 2006

	Business-Type Activities			
	Enterprise Funds			
	Golf Course	Public Works	Nonmajor Enterprise Funds	Total
OPERATING REVENUES:				
Charges for Services	\$ 233,977	\$ 1,560,828	\$ 15,130	\$ 1,809,935
Interest & Rentals	97,072	17,888	55,345	170,305
Other Revenue	134,583	38,637	17,067	190,287
Total Operating Revenues	465,632	1,617,353	87,542	2,170,527
OPERATING EXPENSES:				
Depreciation	71,586	449,040	66,164	586,790
Professional and Contractual Services	5,794	5,269	-	11,063
General and Administrative	365,552	1,328,814	179,345	1,873,711
Total Operating Expenses	442,932	1,783,123	245,509	2,471,564
OPERATING INCOME (LOSS)	22,700	(165,770)	(157,967)	(301,037)
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	-	29,795	5,117	34,912
Interest Expense	(11,171)	-	-	(11,171)
Sale of Capital Assets	-	30,177	-	30,177
Unrealized Loss on Investments	(1,236)	(13,579)	(1,658)	(16,473)
Total Non-operating Revenues (Expenses)	(12,407)	46,393	3,459	37,445
Income (Loss) before Transfers	10,293	(119,377)	(154,508)	(263,592)
Operating Transfers In	-	-	78,167	78,167
CHANGES IN NET ASSETS	10,293	(119,377)	(76,341)	(185,425)
NET ASSETS, APRIL 1	959,433	6,941,256	803,387	8,704,076
NET ASSETS, MARCH 31	<u>\$ 969,726</u>	<u>\$ 6,821,879</u>	<u>\$ 727,046</u>	<u>\$ 8,518,651</u>

Charter Township of Kinross, Michigan

Statement of Cash Flows Proprietary Fund Types For the Year Ended March 31, 2006

	Business-Type Activities			
	Enterprise Funds			
	Golf Course	Public Works	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 459,622	\$ 1,611,518	\$ 87,751	\$ 2,158,891
Payments to Suppliers	(262,662)	(665,347)	(110,039)	(1,038,048)
Payments to Employees	(126,822)	(505,279)	(66,751)	(698,852)
Net Cash Provided (Used) by Operating Activities	70,138	440,892	(89,039)	421,991
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:				
Operating transfers in	-	-	78,167	78,167
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	78,167	78,167
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Sale of Capital Assets	-	30,177	-	30,177
Purchase of capital assets	(77,974)	(234,370)	(11,646)	(323,990)
Transfer of capital assets	65,000	-	-	65,000
Interest Payments	(11,171)	-	-	(11,171)
Principal Payments	(28,063)	-	-	(28,063)
Net Cash Provided (Used) by Capital and Related Financing Activities	(52,208)	(204,193)	(11,646)	(268,047)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	-	29,795	5,117	34,912
Net Change in Investments	(1,236)	(13,579)	(1,658)	(16,473)
Net Cash Provided (Used) by Investing Activities	(1,236)	16,216	3,459	18,439
Net Increase (Decrease) in Cash and Cash Equivalents	16,694	252,915	(19,059)	250,550
Balances - Beginning of the Year	26,942	597,015	128,363	752,320
Balances - End of the Year	\$ 43,636	\$ 849,930	\$ 109,304	\$ 1,002,870
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 22,700	\$ (165,770)	\$ (157,967)	\$ (301,037)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	71,586	449,040	66,164	586,790
Loss on Disposal of Capital Assets	-	148,354	-	148,354
Gain on Transfer of Capital Assets	(23,972)	-	-	(23,972)
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts Receivable (Net)	-	(6,362)	(198)	(6,560)
Interest Receivable	-	(4,466)	-	(4,466)
Due from Other Funds	-	741	-	741
Due from Governmental Units	-	530	-	530
Inventory	(7,480)	-	351	(7,129)
Prepays	1,314	3,722	56	5,092
Other Assets	156	-	-	156
Increase (Decrease) in Liabilities:				
Accounts Payable	1,830	5,590	1,407	8,827
Due to Other Governmental Units	(46)	-	(8)	(54)
Accrued Interest Payable	1,346	-	-	1,346
Other Liabilities	331	2,304	538	3,173
Compensated Absences	2,373	5,894	618	8,885
Deferred Revenue	-	1,315	-	1,315
Net Cash Provided (Used) by Operating Activities	\$ 70,138	\$ 440,892	\$ (89,039)	\$ 421,991

**Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2006**

	Agency	Private Purpose Pension Trust Fund
ASSETS:		
Cash and Investments - Unrestricted	\$ 72,611	\$ 597,330
TOTAL ASSETS	<u>\$ 72,611</u>	<u>\$ 597,330</u>
LIABILITIES:		
Due to Other Funds	\$ 13,892	\$ -
Due to Other Governmental Units	58,719	-
TOTAL LIABILITIES	<u>\$ 72,611</u>	<u>-</u>
NET ASSETS:		
Held in Trust for Pension Benefits		<u>597,330</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 597,330</u>

Charter Township of Kinross, Michigan

Statement of Changes in Fiduciary Net Assets Fiduciary Fund For the Year Ended March 31, 2006

	Private Purpose Pension Trust Fund
ADDITIONS:	
Contributions:	
Employer	\$ 56,788
Employee	6,862
Total Contributions	63,650
Investment Income:	
Net appreciation (depreciation) in fair value of investments	68,276
Total Additions	131,926
DEDUCTIONS:	
General and Administration:	
Benefits	49,062
Total Deductions	49,062
Net Increase	82,864
Net Assets, Beginning of the Year	514,466
Net Assets, End of the Year	\$ 597,330

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Kinross, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Financial Reporting Entity

Kinross Charter Township was organized under the provisions of the Michigan constitution. The Township is operated under a legislative form of government and provides services to its residents in many areas including: fire, ambulance, police protection, community development and enrichment, parks and recreation, public works, and general administrative services.

The Charter Township of Kinross has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

Component Units:

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

Blended Component Units

Kinross Township Building Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Kinross Township Board of Trustees and is reported as if it were part of the Township's operations because its primary purpose is the procurement and management of debt financing for the Township.

Kinross Township Economic Development Corporation – The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in Kinross Township. The board of the Kinross Township Economic Development Corporation is appointed by the Kinross Township Board of Trustees. The Corporation's annual budget is subject to the approval of the Kinross Township Board of Trustees and is financially accountable to the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Kinross Brownsfield Redevelopment Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Kinross Board of Trustees and is reported as if it were part of the Township's operations because it is financially accountable to the Township. There has been no activity during fiscal year 2006.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Charter Township of Kinross property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Charter Township of Kinross as of the preceding December 31st.

The 2005 taxable valuation of the Charter Township of Kinross totaled \$37,112,562 of which ad valorem taxes levied consisted of 1.6425 mills for the Township operating and 1.4932 mills for roads, raising \$60,957 and \$55,416, respectively. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Ambulance Fund

This fund accounts for operations that provide ambulatory services to the citizens of the Charter Township of Kinross, Michigan area, financed primarily by user charges.

Police Fund

This fund accounts for operations that provide public safety services to the citizens of the Kincheloe, Michigan area.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major business-type funds:

Golf Course Fund

This fund accounts for operations that provide recreational services to area citizens, financed primarily by user charges.

Public Works Fund

This fund accounts for operations that provide water, sewer, and garbage collection services to citizens of the Kincheloe, Michigan area, financed primarily by user charges.

Additionally, the Township reports the following fund types:

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, and agency). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown as net of allowance for uncollectible amounts.

Capital Assets – Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Land Improvements	5 to 20 years
State Projects	20 to 30 years
Water System	5 to 50 years
Sewer System	5 to 50 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - The Township employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. The annual vacation benefits earned by each employee during the current year are credited to the employee at the end of each pay period. Employees are encouraged to use vacation benefits during the current year. The Township allows employees to accrue vacation up to a maximum of 240 hours. The Township's employment policies provide for sick leave benefits to be earned at the rate of four hours per every 80 hours worked. When Township employees separate from Township employment, the employee will receive payment for sick time for each day accumulated up to a maximum of 80 hours.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues - Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues - Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers - During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Inventories and Prepaids Items - Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Board of Trustees.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations that were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Investments -				
Unrestricted	\$ 904,437	\$ 992,634	\$ 1,897,071	\$ 669,941
Restricted	<u>105,000</u>	<u>10,236</u>	<u>115,236</u>	<u>-</u>
Total	<u>\$ 1,009,437</u>	<u>\$ 1,002,870</u>	<u>\$ 2,012,307</u>	<u>\$ 669,941</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Investments	\$ 1,089,200	\$ 597,330
Bank Deposits (checking and savings accounts, certificates of deposit)	922,430	72,611
Petty Cash and Cash on Hand	<u>677</u>	<u>-</u>
Total	<u>\$ 2,012,307</u>	<u>\$ 669,941</u>

Cash is restricted in the Golf Course Fund for purposes of repayment of the 2004 capital improvement bonds. Cash is restricted in the Property Management Fund for a streetscape project.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
U.S. Treasury	\$ 1,065,826	\$ -	\$ 138,361	\$ 251,390	\$ 676,075
Asset Backed	<u>23,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,375</u>
Total Investments	<u>\$ 1,089,201</u>	<u>\$ -</u>	<u>\$ 138,361</u>	<u>\$ 251,390</u>	<u>\$ 699,450</u>

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$1,737,455 of the Township's bank balance of \$2,172,524 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

FAIR VALUE OF INVESTMENT ACTIVITY:

Security	Stated Value	Fair Value 04/01/05	Purchase (Sale)	Fair Value 03/31/06
FHLM Corp Med-Term Note Due 3/22/17	25,000	25,500	-	24,688
FNMA Medium Term Note Due 5/3/22	25,000	25,500	-	24,656
FHLM Medium Term Note Due 7/26/27	50,000	50,188	-	48,188
FHLM Medium Term Note Due 8/22/22	49,750	49,637	-	48,730
FHLM Medium Term Note Due 12/6/17	60,000	57,750	-	56,250
FHLM Medium Term Note Due 3/15/18	45,000	41,780	-	41,135
FHLM Medium Term Note Due 6/15/15	19,900	18,315	-	18,154
Tenn Valley Auth Strips Due 11/01/12	27,465	27,462	-	28,404
FHLM Medium Term Note Due 7/15/23	20,000	18,950	-	18,225
FHLM Medium Term Note Due 8/15/18	25,000	24,813	-	24,125
FHLM Medium Term Note Due 6/16/09	20,005	19,036	-	18,887
FNMA Medium Term Note Due 6/24/18	20,005	19,219	-	18,525
FHLM Medium Term Note Due 10/15/22	20,055	19,200	-	18,550
FHLB Bond Due 12/19/11	20,005	19,056	-	18,781
FHLB Bond Due 3/9/10	20,000	19,650	-	19,331
FHLB Bond Due 4/1/10	24,992	24,289	-	23,937
FHLB Bond Due 7/16/18	14,742	-	14,742	14,133
FHLB Bond Due 12/17/19	19,705	-	19,705	19,238
FHLB Bond Due 3/3/25	38,905	-	38,905	37,725
Fed Farm Credit Banks Due 3/15/11	19,925	19,488	-	19,231
Fed Farm Credit Banks Due 8/16/10	38,005	-	38,005	37,193
FHLM Medium Term Note Due 8/15/14	40,000	39,163	-	38,701
FHLM Medium Term Note Due 2/15/15	20,000	19,269	-	19,137
FHLM Medium Term Note Due 3/15/15	20,000	19,354	-	19,208
FHLM Medium Term Note Due 3/15/20	26,000	24,870	-	24,155
FNMA Medium Term Note Due 3/4/24	54,000	52,347	-	50,727
FNMA Medium Term Note Due 2/25/05	20,000	18,569	-	18,050
FHLM Medium Term Note Due 3/15/25	20,000	19,069	-	18,645
FHLM Medium Term Note Due 3/18/25	20,000	19,213	-	18,625

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**FAIR VALUE OF INVESTMENT ACTIVITY: (Continued)**

Security	Stated Value	Fair Value 04/01/05	Purchase (Sale)	Fair Value 03/31/06
FNMA Medium Term Note Due 01/26/11	20,000	-	20,000	19,781
FHLM Medium Term Note Due 5/15/14	16,985	-	16,985	16,793
FHLM Medium Term Note Due 10/1/14	29,667	-	29,667	28,719
FHLM Medium Term Note Due 6/8/15	25,005	-	25,005	24,236
FHLM Medium Term Note Due 3/15/16	20,000	-	20,000	19,682
FNMA Note Due 3/16/16	20,000	-	20,000	19,575
FNMA Note Due 4/7/16	48,880	-	48,880	47,703
FHLM Medium Term Note Due 2/15/19	12,647	-	12,647	12,252
FHLM Medium Term Note Due 3/15/20	12,745	-	12,745	12,288
FNMA Medium Term Note Due 6/9/20	20,005	-	20,005	18,913
FNMA Medium Term Note Due 5/30/23	10,304	-	10,304	10,175
FHLM Medium Term Note Due 7/15/24	29,105	-	29,105	27,600
FHLM Medium Term Note Due 3/15/26	18,953	-	18,953	18,000
FHLM Medium Term Note Due 10/15/29	4,842	-	4,842	4,775

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 472,019	\$ -	\$ 8,609	\$ -	\$ 463,410
<i>Capital assets being depreciated:</i>					
Land improvements	295,057	19,535	-	-	314,592
Buildings and building improvements	3,570,235	18,044	127,391	-	3,460,888
Equipment	681,856	159,635	2,110	-	839,381
Office equipment	120,559	9,648	7,404	-	122,803
Vehicles	<u>677,155</u>	<u>23,943</u>	<u>-</u>	<u>-</u>	<u>701,098</u>
Subtotal	<u>5,344,862</u>	<u>230,805</u>	<u>136,905</u>	<u>-</u>	<u>5,438,762</u>
<i>Less accumulated depreciation for:</i>					
Land improvements	1,511	10,699	-	199,903	212,113
Buildings and building improvements	745,739	67,053	81,037	929,340	1,661,095
Equipment	157,080	43,965	-	417,498	618,543
Office equipment	62,301	6,024	7,404	42,269	103,190
Vehicles	<u>243,545</u>	<u>66,154</u>	<u>-</u>	<u>289,937</u>	<u>599,636</u>
Subtotal	<u>1,210,176</u>	<u>193,895</u>	<u>88,441</u>	<u>1,878,947</u>	<u>3,194,577</u>
Net capital assets being depreciated	<u>4,134,686</u>	<u>36,910</u>	<u>48,464</u>	<u>(1,878,947)</u>	<u>2,244,185</u>
Governmental activity capital assets – net of depreciation	<u>\$ 4,606,705</u>	<u>\$ 36,910</u>	<u>\$ 57,073</u>	<u>\$ (1,878,947)</u>	<u>\$ 2,707,595</u>

Charter Township of Kinross, Michigan

Notes to Financial Statements March 31, 2006

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
Business-type Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 469,014	\$ -	\$ -	\$ 18,300	\$ 487,314
<i>Capital assets being depreciated:</i>					
Land improvements	1,920,090	6,766	25,397	(18,300)	1,883,159
Buildings and building improvements	6,546,216	72,120	-	-	6,618,336
Equipment	2,036,447	240,216	264,485	-	2,012,178
State projects	1,151,397	-	-	-	1,151,397
Water system	1,081,212	-	-	-	1,081,212
Sewer system	<u>2,720,392</u>	<u>4,888</u>	<u>-</u>	<u>-</u>	<u>2,725,280</u>
Subtotal	<u>15,455,754</u>	<u>323,990</u>	<u>289,882</u>	<u>(18,300)</u>	<u>15,471,562</u>
<i>Less accumulated depreciation:</i>					
Land improvements	1,018,019	46,065	25,397	-	1,038,687
Buildings and building improvements	2,773,801	242,046	-	-	3,015,847
Equipment	1,664,256	115,299	116,131	(4,700)	1,658,724
State projects	654,029	42,916	-	-	696,945
Water system	574,813	69,845	-	-	644,658
Sewer system	<u>1,119,228</u>	<u>116,349</u>	<u>-</u>	<u>-</u>	<u>1,235,577</u>
Subtotal	<u>7,804,146</u>	<u>632,520</u>	<u>141,528</u>	<u>(4,700)</u>	<u>8,290,438</u>
Net capital assets being depreciated	<u>7,651,608</u>	<u>(308,530)</u>	<u>148,354</u>	<u>(13,600)</u>	<u>7,181,124</u>
Business-type activities – net of depreciation	<u>\$ 8,120,622</u>	<u>\$ (308,530)</u>	<u>\$ 148,354</u>	<u>\$ 4,700</u>	<u>\$ 7,668,438</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 87,056
Public Safety	31,033
Health and Welfare	55,155
Recreation	<u>20,651</u>

Total Governmental Activities \$ 193,895

Business – type Activities:

Golf Course	\$ 117,292
Public Works	449,041
Recreation Center	19,862
Chippewa County Fairgrounds	<u>46,325</u>

Total Business-type Activities \$ 632,520

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE TO OTHER FUNDS		
DUE FROM		Police Fund	Agency	Total
	General Fund	\$ 5,140	\$ 3,828	\$ 8,968
	Police Fund	-	6,862	6,862
	All Others	-	3,202	3,202
	Total	<u>\$ 5,140</u>	<u>\$ 13,892</u>	<u>\$ 19,032</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		TRANSFERS OUT		
TRANSFERS IN		General Fund	All Other Nonmajor Funds	Total
	Ambulance Fund	\$ -	\$ 18,044	\$ 18,044
	All Other Nonmajor Funds	39,331	70,000	109,331
	All Other Nonmajor Enterprise Funds	77,367	800	78,167
	Total	<u>\$ 116,698</u>	<u>\$ 88,844</u>	<u>\$ 205,542</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Township contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
USDA Loan	4.75%	2017	\$ <u>70,900</u>	\$ <u>-</u>	\$ <u>4,100</u>	\$ <u>66,800</u>	\$ <u>4,300</u>
Total Governmental Activities			\$ <u>70,900</u>	\$ <u>-</u>	\$ <u>4,100</u>	\$ <u>66,800</u>	\$ <u>4,300</u>
Business-Type Activities							
Series 2004 Refunding Bonds	2.85%	2008	110,000	-	26,000	84,000	27,000
Series 2004 Capital Improvement Bonds	4.125%-5.375%	2019	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>135,000</u>	<u>-</u>
Total Business-Type Activities			\$ <u>245,000</u>	\$ <u>-</u>	\$ <u>26,000</u>	\$ <u>219,000</u>	\$ <u>27,000</u>

Charter Township of Kinross, Michigan

Notes to Financial Statements
March 31, 2006

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 4,300	\$ 3,070	\$ 27,000	\$ 8,901
2008	4,500	2,862	28,000	8,131
2009	4,700	2,643	29,000	7,333
2010	4,900	2,415	10,000	6,507
2011-2015	28,200	8,275	56,000	25,776
2016-2020	20,200	1,468	69,000	11,084
Total	<u>\$ 66,800</u>	<u>\$ 20,733</u>	<u>\$ 219,000</u>	<u>\$ 67,732</u>

The interest expense from Business-type activities is totally included as direct expense of the Golf Course.

Total accrued sick leave and vacation at March 31, 2006 amounted to \$100,995 as follows:

	Governmental Activities	Business-type Activities	Total
Accrued Vacation	\$ 21,693	\$ 31,253	\$ 52,946
Accrued Sick Leave	20,726	26,589	47,315
Comp. Time	<u>14</u>	<u>720</u>	<u>734</u>
Total Compensated Absences	<u>\$ 42,433</u>	<u>\$ 58,562</u>	<u>\$ 100,995</u>

NOTE 7 - CAPITAL LEASES

The Township leases an ambulance and a beverage cart under capital leases. The yearly lease payments for the ambulance that is leased from Rudyard Township are 50% of the amount that is collected from Rudyard Township for each ambulance run, until the price of \$20,000 is met. The beverage cart has yearly lease payments of \$3,588, including an interest rate of 14.00%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2007	\$ 9,247
2008	8,022
2009	3,588
2010	<u>1,496</u>
Total minimum lease payments	22,353
Less amount representing interest	<u>(3,470)</u>
Present value of minimum lease payment	<u>\$ 18,883</u>

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for claims and participates in a risk pool for claims relating to the Township. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2006.

NOTE 10 - SEGMENT INFORMATION – ENTERPRISE FUND

Segment information for the year ended March 31, 2006 is as follows:

	<u>Golf Course</u>
Nonoperating revenue (expense)	\$ (12,407)
Operating income (loss)	22,700
Changes in net assets	10,293
Operating revenues	465,632
Operating expenses	442,932
Operating transfers – net	-
Depreciation	71,586
Total assets	1,218,524
Current liabilities	29,798
Long-term debt payable	219,000
Beginning net assets	959,433
Ending net assets	969,726
Cash provided by:	
Operating activities	70,138
Noncapital financing	-
Capital financing	(52,208)
Investing	(1,236)
Beginning cash	26,942
Ending cash	43,636

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The defined contribution plan through the John Hancock Life Insurance Company of Kinross Charter Township is available to elected Township officials, full time employees and other employees designated by the Township Board. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual accounts are to be determined rather than specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and the forfeitures of the other participant's benefits prior to vesting. The plan is funded at a rate of 5% of eligible compensation and is available to employees after a period of 4 years, at which time they become vested. Employees may voluntarily contribute 1 to 95% of compensation as established by the Township.

The Plan may be amended yearly by the Township. The Township's current year contribution to the plan amounts to \$56,788. Total wages of participating employees amounted to \$1,108,691 for the year ended March 31, 2006. Total wages for all employees amounted to \$1,481,789 for the year ended March 31, 2006.

NOTE 12 - LEASES RECEIVABLE

Kinross Charter Township is a lesser in numerous lease agreements. The Township recorded revenue from its leases totaling \$200,541 for the fiscal year ended March 31, 2006. The Township's future minimum payments receivable for the leasing of building and land, accounted for as operating leases at March 31, 2006 are as follows:

Leased Asset	Fiscal Year Ending March 31				
	2007	2008	2009	2010	2011 Thereafter
Building 127	\$ 15,000	\$ -	\$ -	\$ -	\$ -
Building 300	15,551	15,551	15,551	15,551	15,551
Building 308	49,317	24,659	-	-	-
Assembly of God 312	6,000	6,000	6,000	5,000	-
Building 313-Curves for Women	5,400	4,500	-	-	-
Building 316	1,027	-	-	-	-
Building 346	4,210	1,052	-	-	-
Building 354	14,400	14,400	14,400	3,600	-
Land-Century Tel	1,050	1,050	1,050	-	-
Tower-Alltel Corp.	10,800	10,800	10,800	2,190	-
Clubhouse-Frank Lalonde & Sons	3,658	3,658	3,658	-	-
Tower-Cellular One	3,200	-	-	-	-
TOTAL	<u>\$ 129,613</u>	<u>\$ 81,670</u>	<u>\$ 51,459</u>	<u>\$ 26,341</u>	<u>\$ 15,551</u>

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Township depreciated all depreciable Governmental Capital Assets in accordance with GASB Statement No. 34 during fiscal year 2006. The amount invested in capital assets has been restated in conformity with U.S. Generally Accepted Accounting Principles in Governmental Activities as follows: Decrease in net assets \$1,878,947. Beginning net assets were restated to \$3,645,753 from the previously reported amounts of \$5,524,700.

Required Supplemental Information

Charter Township of Kinross, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 95,622	\$ 103,050	\$ 108,198	\$ 5,148
Licenses & Permits	-	-	20	20
State Sources	442,700	442,700	510,614	67,914
Charges for Services	2,250	2,250	3,212	962
Interest & Rentals	13,400	13,400	22,111	8,711
Refunds & Reimbursements	4,800	4,800	9,072	4,272
TOTAL REVENUES	558,772	566,200	653,227	87,027
EXPENDITURES:				
Legislative:				
Township Board	11,500	11,500	10,910	590
General Government:				
Supervisor	44,700	46,525	46,076	449
Professional	125,715	120,415	107,464	12,951
Elections	3,350	3,350	3,083	267
Clerk	38,450	38,450	36,245	2,205
Assessor	23,025	31,025	30,257	768
Accounting	32,660	32,660	32,129	531
Treasurer	36,450	36,450	35,289	1,161
Township Hall	36,700	36,700	32,365	4,335
Board of Review	1,550	1,550	1,410	140
Cemetery	3,960	3,960	3,472	488
Planning & Zoning	27,050	19,050	7,165	11,885
Total General Government	373,610	370,135	334,955	35,180
Public Works:				
Highways, Streets, & Bridges	12,431	12,431	1,812	10,619
Total Public Works	12,431	12,431	1,812	10,619
Capital Outlay	20,500	20,500	11,701	8,799
Other Expenditures	72,065	72,065	53,121	18,944
TOTAL EXPENDITURES	490,106	486,631	412,499	74,132
EXCESS OF REVENUES OVER EXPENDITURES	68,666	79,569	240,728	161,159
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(96,122)	(116,698)	(116,698)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (27,456)	\$ (37,129)	124,030	\$ 161,159
FUND BALANCE, APRIL 1			417,189	
FUND BALANCE, MARCH 31			\$ 541,219	

Charter Township of Kinross, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,450	\$ 4,450	\$ 4,485	\$ 35
Charges for Services	1,009,375	1,009,375	807,656	(201,719)
Interest and Rentals	-	-	65	65
Refunds & Reimbursements	26,600	26,600	29,676	3,076
TOTAL REVENUES	1,040,425	1,040,425	841,882	(198,543)
EXPENDITURES:				
Health & Welfare	1,013,410	1,012,910	914,503	98,407
Capital Outlay	14,500	32,544	18,044	14,500
Debt Service	12,515	13,015	12,842	173
TOTAL EXPENDITURES	1,040,425	1,058,469	945,389	113,080
EXCESS OF REVENUES OVER EXPENDITURES	-	(18,044)	(103,507)	(85,463)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	18,044	18,044	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(85,463)	\$ (85,463)
FUND BALANCE, APRIL 1			170,778	
FUND BALANCE, MARCH 31			\$ 85,315	

Charter Township of Kinross, Michigan

Required Supplemental Information Budgetary Comparison Schedule Police Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 195,529	\$ 195,529	\$ 200,315	\$ 4,786
State Grants	5,045	5,045	8,633	3,588
Charges for Services	800	800	2,939	2,139
Interest and Rentals	1,800	1,800	4,241	2,441
Other Revenue	2,100	22,100	20,923	(1,177)
Refunds & Reimbursements	27,900	28,503	28,736	233
TOTAL REVENUES	233,174	253,777	265,787	12,010
EXPENDITURES:				
Public Safety	240,628	243,331	232,139	11,192
Capital Outlay	5,000	27,681	26,557	1,124
TOTAL EXPENDITURES	245,628	271,012	258,696	12,316
EXCESS OF REVENUES OVER EXPENDITURES	\$ (12,454)	\$ (17,235)	7,091	\$ 24,326
FUND BALANCE, APRIL 1			203,230	
FUND BALANCE, MARCH 31			\$ 203,230	

Other Supplemental Information

Charter Township of Kinross, Michigan

Combining Balance Sheet Nonmajor Governmental Funds March 31, 2006

	Special Revenue Funds					Capital Projects	
	Fire	Property Management	Drug Forfeiture	Road Maintenance Millage	Snowmobile Trail Grooming	Public Improvement	Total
ASSETS:							
Cash & Investments - Unrestricted	\$ 34,065	\$ 49,253	\$ 596	\$ 25,907	\$ 4,262	\$ 69,852	\$ 183,935
- Restricted	-	105,000	-	-	-	-	105,000
Accounts Receivable (Net)	364	-	-	-	-	-	364
Lease Receivable	-	1,248	-	-	-	-	1,248
Due from Other Funds	-	-	-	3,202	-	-	3,202
Due from Governmental Units	-	-	-	-	4,147	-	4,147
Prepaid Expenses	2,439	1,707	-	-	488	-	4,634
TOTAL ASSETS	<u>\$ 36,868</u>	<u>\$ 157,208</u>	<u>\$ 596</u>	<u>\$ 29,109</u>	<u>\$ 8,897</u>	<u>\$ 69,852</u>	<u>\$ 302,530</u>
LIABILITIES:							
Accounts Payable	\$ 8,933	\$ 5,216	\$ -	\$ -	\$ 95	\$ -	\$ 14,244
Other Liabilities	1,094	665	-	-	130	-	1,889
TOTAL LIABILITIES	<u>10,027</u>	<u>5,881</u>	<u>-</u>	<u>-</u>	<u>225</u>	<u>-</u>	<u>16,133</u>
FUND BALANCES:							
Unreserved:							
Undesignated	26,841	151,327	596	29,109	8,672	69,852	286,397
TOTAL FUND BALANCES	<u>26,841</u>	<u>151,327</u>	<u>596</u>	<u>29,109</u>	<u>8,672</u>	<u>69,852</u>	<u>286,397</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,868</u>	<u>\$ 157,208</u>	<u>\$ 596</u>	<u>\$ 29,109</u>	<u>\$ 8,897</u>	<u>\$ 69,852</u>	<u>\$ 302,530</u>

Charter Township of Kinross, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended March 31, 2006

	Special Revenue Funds					Capital Projects	Total
	Fire	Property Management	Drug Forfeiture	Road Maintenance Millage	Snowmobile Trail Grooming	Public Improvement	
REVENUES:							
Taxes	\$ 4,485	\$ -	\$ -	\$ 67,902	\$ -	\$ -	\$ 72,387
Federal Sources	32,297	-	-	-	-	-	32,297
State Sources	7,044	-	-	-	115,148	-	122,192
Charges for Services	250	-	-	-	32	-	282
Interest & Rentals	896	185,482	-	1,593	426	-	188,397
Rentals & Leases	-	4,658	-	-	-	-	4,658
Refunds & Reimbursements	-	1,917	-	-	1,591	-	3,508
Sale of Capital Assets	-	70,000	-	-	-	-	70,000
Other	829	299	-	-	-	-	1,128
TOTAL REVENUES	45,801	262,356	-	69,495	117,197	-	494,849
 Public Safety	46,870	-	-	-	-	-	46,870
Public Works	-	-	-	118,019	-	-	118,019
Recreation	-	-	-	-	131,053	-	131,053
Capital Outlay	30,918	17,482	-	-	-	-	48,400
Debt Service	857	-	-	-	-	-	857
Other Expenditures	-	128,758	-	-	-	148	128,906
TOTAL EXPENDITURES	78,645	146,240	-	118,019	131,053	148	474,105
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(32,844)	116,116	-	(48,524)	(13,856)	(148)	20,744
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	26,665	-	-	-	12,666	70,000	109,331
Operating Transfers Out	-	(88,844)	-	-	-	-	(88,844)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(6,179)	27,272	-	(48,524)	(1,190)	69,852	41,231
FUND BALANCES, APRIL 1	33,020	124,055	596	77,633	9,862	-	245,166
FUND BALANCES, MARCH 31	\$ 26,841	\$ 151,327	\$ 596	\$ 29,109	\$ 8,672	\$ 69,852	\$ 286,397

Charter Township of Kinross, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds March 31, 2006

	Recreation Center	Chippewa County Fairgrounds	Total
ASSETS:			
Cash & Investments - Unrestricted	\$ 66,905	\$ 42,399	\$ 109,304
Accounts Receivable (Net)	199	1,394	1,593
Inventory	189	-	189
Prepaid Expenses	1,143	1,373	2,516
Land & Land Improvements	166,801	457,428	624,229
Buildings & Building Improvements	253,556	668,087	921,643
Equipment	45,971	73,945	119,916
Accumulated Depreciation	(265,887)	(770,964)	(1,036,851)
TOTAL ASSETS	\$ 268,877	\$ 473,662	\$ 742,539
LIABILITIES:			
Accounts Payable	\$ 10,658	\$ 468	\$ 11,126
Due to Governmental Units	3	-	3
Other Liabilities	954	1,043	1,997
Compensated Absences	2,367	-	2,367
TOTAL LIABILITIES	13,982	1,511	15,493
NET ASSETS:			
Invested in Capital Assets	200,441	428,496	628,937
Unrestricted	54,454	43,655	98,109
TOTAL NET ASSETS	254,895	472,151	727,046
TOTAL LIABILITIES AND NET ASSETS	\$ 268,877	\$ 473,662	\$ 742,539

Charter Township of Kinross, Michigan**Combining Statement of Revenues, Expenses, and
Changes in Net Assets - Nonmajor Enterprise Funds
For the Year Ended March 31, 2006**

	Recreation Center	Chippewa County Fairgrounds	Total
OPERATING REVENUES:			
Charges for Services	\$ 15,130	\$ -	\$ 15,130
Interest & Rentals	24,515	30,830	55,345
Other Revenue	15,835	1,232	17,067
TOTAL OPERATING REVENUES	55,480	32,062	87,542
OPERATING EXPENSES:			
General and Administration	130,892	48,453	179,345
Depreciation	19,840	46,324	66,164
Total Operating Expenses	150,732	94,777	245,509
OPERATING LOSS	(95,252)	(62,715)	(157,967)
NON-OPERATING REVENUES (EXPENSES):			
Interest on Deposits	3,034	2,083	5,117
Unrealized Loss on Investments	(1,086)	(572)	(1,658)
Total Non-Operating Revenues (Expenses)	1,948	1,511	3,459
Loss Before Transfers	(93,304)	(61,204)	(154,508)
Operating Transfers In	77,767	400	78,167
CHANGES IN NET ASSETS	(15,537)	(60,804)	(76,341)
NET ASSETS, APRIL 1	270,432	532,955	803,387
NET ASSETS, MARCH 31	\$ 254,895	\$ 472,151	\$ 727,046

Charter Township of Kinross, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended March 31, 2006

	Recreation Center	Chippewa County Fairgrounds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 55,883	\$ 31,868	\$ 87,751
Payments to Suppliers	(72,578)	(37,461)	(110,039)
Payments to Employees	(50,613)	(16,138)	(66,751)
Net Cash Provided (Used) by Operating Activities	(67,308)	(21,731)	(89,039)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Operating Transfers In	77,767	400	78,167
Net Cash Provided (Used) by Noncapital Related Financing Activities	77,767	400	78,167
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(11,646)	-	(11,646)
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,646)	-	(11,646)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	3,034	2,083	5,117
Net Change in Investments	(1,086)	(572)	(1,658)
Net Cash Provided (Used) by Investing Activities	1,948	1,511	3,459
Net Increase (Decrease) in Cash and Cash Equivalents	761	(19,820)	(19,059)
Balances - Beginning of the Year	66,144	62,219	128,363
Balances - End of the Year	\$ 66,905	\$ 42,399	\$ 109,304
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Loss	\$ (95,252)	\$ (62,715)	\$ (157,967)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	19,840	46,324	66,164
Change in Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts Receivable (Net)	(53)	(145)	(198)
Inventory	351	-	351
Prepaid Expenses	105	(49)	56
Increase (Decrease) in Liabilities:			
Accounts Payable	6,994	(5,587)	1,407
Due to Other Governmental Units	(8)	-	(8)
Other Liabilities	97	441	538
Compensated Absences	618	-	618
Net Cash Provided (Used) by Operating Activities	\$ (67,308)	\$ (21,731)	\$ (89,039)

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Charter Township of Kinross, Michigan
Kincheloe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of and for the year ended, March 31, 2006, which collectively comprise the Charter Township of Kinross, Michigan's basic financial statements and have issued our report thereon dated June 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Kinross, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees
Charter Township of Kinross, Michigan
Kincheloe, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Kinross, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

This information is intended solely for the use of the Board of Commissioners, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 9, 2006



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Members of the Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan 49788

We have audited the financial statements of the Charter Township of Kinross, Michigan for the year ended March 31, 2006, and have issued our reports thereon dated June 9, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Charter Township of Kinross, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Kinross, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to record the last quarter of Pension Trust activity. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with *Government Auditing Standards* of the basic financial statement audit report.

ACCOUNTS RECEIVABLES (Repeat)

In the general fund, there is an accounts receivable that is over ten years old. In the fire fund, there is an accounts receivable that is over thirteen years old. There is also an accounts receivable in the fairgrounds fund that is over nine years old. It is unlikely that these amounts will be collected by the Township. It is recommended that such stale balances be written off after Board approval.

CASH (Repeat)

It was noted during the testing of cash that there are outstanding checks drawn on the Accounts Payable checking account that date back as far as August of 2002. It is recommended that the payee of those checks be contacted to determine if the check is still valid or the Credit Union should be contacted to stop payment on those checks.

RECEIPTS

During a review of receipts it was noted that the ambulance fund receipt books were not all sequentially numbered. The receipt books that were applicable for dates from 4/1/2005 thru 2/7/2006 were sequentially numbered from #2117 to #2700. However, on 2/7/06 a new receipt book was used that starts with #1126 and ends (on 3/31/06) with #1243.

Also noted was the Rec. Center fund used three receipt books during the year, two of these were numbered identically (first receipt #5301 and last receipt #5525). A zero (0) was added manually at the end of the numbers of the second book. Even if manual adjustment of the receipt numbers was acceptable, the receipts were still out sequence after this adjustment.

It is recommended that all receipts be recorded on pre-printed, sequentially numbered receipts and that care be taken that the sequence of numbers not be broken.

CAPITAL ASSETS

It was noted during the testing of capital assets that there are items added to the capital asset listing under the capitalization policy of \$2,500. It is recommended the Township only capitalize capital assets items over their \$2,500 capitalization policy. We also recommend that the Township perform a physical inventory of all capital assets that the Township owns.

INTEREST RATE RISK

Although the Township has a formal investment policy, the policy does not address interest rate risk consideration and disclosures as referenced in GABS Statement Number 40 – Deposit and Investment Disclosures. Interest rate risk assesses the affect on investments of increasing or decreasing market rates. The Township should adopt a policy utilizing the weighted average maturity disclosure and duration levels of various investments subject to interest rate risk.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This information is intended solely for the use of the Township Board, the cognizant audit agencies and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 9, 2006